MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2018 / 2019 SESSION

DEC5018 – MICROECONOMICS

(Diploma Students Only)

1 MARCH 2019
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **12** pages with 2 sections.
2. Attempt all questions in Section A and B.
3. Answers for section A should be shaded on the OMR sheet provided.
4. For section B, please write your answers in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS [50 Marks]
Answers for this section should be shaded on the OMR form.

1. _____ is best defined as the study of how people, businesses, governments, and societies make choices to cope with scarcity.

   a. Social science
   b. Macroeconomics
   c. Microeconomics
   d. Economics

2. In economic study, scarcity applies to _____.

   a. time but not money
   b. both time and money
   c. money but not time
   d. goods only

3. Which of the following is a microeconomics topic?

   a. A statistic that shown a comparison between Malaysia and Singapore's inflation rate for 2018.
   b. A study in how increasing rental affects the demand of hostel in MMU.
   c. Government announced the technical trainings scheme to unemployed graduates in Malaysia.
   d. The announcement of Budget 2019 for a country.

4. The four factors of production are _____.

   a. profit, wages, rent and interest
   b. capital, labor, human capital and entrepreneurship
   c. land, labour, capital and entrepreneurship
   d. land, labour, investment and entrepreneurship

5. Veega is pursuing Degree in Programming in Swan University, the knowledge and skills that he obtains from his study giving the most impact to which type of factor of production?

   a. Land
   b. Capital
   c. Entrepreneur
   d. Human Capital

6. A(n) _____ is one that compares costs and benefits and achieves the greatest benefit over cost for the person making the choice.

   a. exchange
   b. tradeoff
   c. demand
   d. rational choice

Continued...

7. During the weekend, when you choose to go swimming instead of reading, the reading that you did not choose is called the _____.

   a. accounting cost
   b. implicit cost
   c. explicit cost
   d. opportunity cost

8. Mimi is new in Economics class, she needs help in understanding how resources, money, goods and services flow between households and firms through resources and product markets. Which of the following would be the best for you to use as a guide to explain about it?

   a. Market equilibrium diagram
   b. Straight line PPF
   c. Market demand curve
   d. Circular flow of diagram

9. In a _____, households supply factors of production to _____.

   a. product market; firms
   b. product market; government
   c. factor market; firms
   d. factor market; government

10. Upon graduation, you decided to accept a job at BLS Consulting for RM2,200 a month. There are the other two offers you received were working for Cebuk Consulting for RM1,800 and working for ZY Consulting for RM2,000. Out of these two offers, you would have preferred the job at ZY Consulting. What is the opportunity cost of accepting the job at the BLS Consulting?

    a. The RM2,200 that you are paid for working at BLS Consulting.
    b. The RM1,800 that you would have been paid for working at Cebuk Consulting.
    c. The RM2,000 that you would have been paid for working at ZY Consulting.
    d. The RM1,800 that you would have been paid for working at Cebuk Consulting and RM2,000 that you would have been paid for working at ZY Consulting.

11. A concave production possibilities frontier curve represents a(n) _____ opportunity costs.

    a. increasing
    b. decreasing
    c. constant
    d. fluctuate

12. An economic growth in an economy can be represents by a(n) _____ of production possibilities frontier.

    a. inward shift
    b. outward shift
    c. upward sloping
    d. downward sloping

Continued...

Question 13 to 15 referred to Table 1.

Point	Production of rice (kg)	Production of cars (cars)
A	0	30
B	2	28
C	4	24
D	6	18
E	8	10
F	10	0

Table 1

13. Based on Table 1, which of the following combinations is **UNATTAINABLE**?

a. 6kg of rice and 18 cars
b. 2kg of rice and 27 cars
c. 4kg of rice and 26 cars
d. 7kg or rice and 10 cars

14. What is the opportunity cost of producing the 6th kg of rice?

a. 16 cars
b. 6 cars
c. 3 cars
d. 2 cars

15. What is the opportunity cost of producing one car when the production changed from point E to point D?

a. 2 kg of rice
b. 8 kg of rice
c. ½ kg of rice
d. ¼ kg of rice

16. In Economic study, the term "***ceteris paribus***" is referring to _____.

a. demand
b. supply
c. other things remained the same
d. market equilibrium

17. The "_____" states that changes in quantity demanded of a good are negatively related to changes of its price.

a. law of supply
b. law of demand
c. law of equilibrium
d. game theory

Continued...

18. Apples are normal goods, when the price of apple increases from RM1.00 to RM1.50, the quantity demanded of apples decreases could be due to _____.

a. the income and substitution effects
b. the income effect only
c. the substitution effect only
d. a decrease in supply of apple

19. The demand of luxury cars increases as the income increases, luxury cars most likely is a(n) _____.

a. normal good
b. inferior good
c. intermediate good
d. used good

20. Each point on demand curves reflects the _____ price consumers are willing to pay for that particular unit of a good.

a. lowest
b. highest
c. discounted
d. subsidised

21. Which of the following pairs of goods are **MOST LIKELY** substitutes goods?

a. Toothpaste and toothbrush
b. Banana and chocolate drinks
c. Rootbeer and Coke
d. Printer and toner

22. When a firm supplies a good or service, the firm

I. can profit from producing it
II. has the resources and the technology to produce it
III. has made a definite plan to produce and sell it.

a. I and II
b. I, II and III
c. II and III
d. I and III

23. The law of supply tells that, other things remained the same, when the price of a good increases, there is a _____ the supply curve to a _____ quantity supplied.

a. rightward shift of; larger
b. leftward shift of, larger
c. movement down along; larger
d. movement up along; larger

24. France Bakery produces cookies and cakes. If the price of cookies increases, the _____ of cakes shift leftward, cookies and cakes are _____.

a. supply; complement goods
b. supply; substitute goods
c. demand; intermediate goods
d. demand; substitute goods

Continued...

25. Which of the following **MOST LIKELY** affect the supply of fresh vegetables in the market?

a. Preference of consumers
b. Decrease in purchasing power of consumers
c. Income of buyers
d. Weather

26. A research findings shown that the consumption of potatoes could cause high blood pressure among children and elderly. The equilibrium price of potatoes will _____ and the equilibrium quantity of potatoes will _____.

a. increase; increase
b. decrease; decrease
c. decrease; increase
d. increase; remained unchanged

27. When both the demand for a good increases and the supply of the good increases, the equilibrium quantity _____.

a. decrease
b. remained constant
c. unknown
d. definitely increase

28. Which of the following describe characteristics of perfect competition?
I. All firms are price takers.
II. All firms are producing identical products.
III. Existing firms has no advantage over new firms.
IV. There are limited firms in the market.

a. I, II
b. I, II and III
c. II, III and IV
d. I, II, III and IV

29. Kids Castle is a perfectly competitive toys manufacturer in Melaka, the market demand curve for toys is _____.

a. downward sloping
b. upward sloping
c. a horizontal line
d. a vertical line

30. When firms shut down in perfect competition market, the output is _____ and the firms still needs to bear its _____.

a. zero; average total cost
b. zero; average fixed cost
c. zero; average variable cost
d. zero; marginal cost

Continued...

31. In a perfectly competitive market, which of the following determines the market price?
    a. Market demand and market supply
    b. A firm's demand and its supply
    c. Market demand and firms' supply
    d. Market supply and firms' demand

32. In perfect competition market, no matter how much the firm produces, the price is always equals to _____.

    a. total revenue
    b. marginal revenue
    c. average total cost
    d. average variable cost

33. In monopoly market, demand is always _____ at higher price.

    a. inelastic
    b. perfectly inelastic
    c. elastic
    d. constant

34. Monopoly firms are _____, unlike perfect competition firms are _____.

    a. price taker; price setter
    b. price setter; price taker
    c. price setter; price regulator
    d. price taker; price regulator

35. Which of the following is **NOT** an example of price discrimination?

    a. "Buy now, pay later by interest-free installments" payment option.
    b. "Early bird special deals" in a café.
    c. "Buy one get one free for first 10 customers of the day" in a boutique.
    d. "10% discount for family members" for theme park entrance ticket.

36. The different pricing of movie ticket for adults, students, children and senior citizens can be best described as _____.

    a. single-price monopoly
    b. first degree price discrimination
    c. second degree price discrimination
    d. third degree price discrimination

37. JW Printing Service is a monopoly firm in Bukit Beruang, the pricing of the printing service is varying according to the printing copies. The printing price is cheaper as the copies increase. This is an example of _____.

    a. single-price monopoly
    b. first degree price discrimination
    c. second degree price discrimination
    d. third degree price discrimination

Continued...

38. Which of the following is **NOT** an example of barriers of entry to monopoly market?

a. Price structure
b. Copyright
c. Patent
d. Ownership of resources without close substitute

39. _____ is an example of a monopoly firm.

a. Multimedia University
b. Maxis
c. Mc Donalds
d. Tenaga National Berhad

40. Firms in monopolistic competition usually competing on _____.

a. costs, price and marketing
b. quality, price and marketing
c. incentives, price and marketing
d. resources, price and marketing

41. _____ is a market structure in which natural or legal barriers prevent the entry of new firms and there are only a small number of firms compete in the market.

a. Perfect competition
b. Monopoly
c. Monopolistic competition
d. Oligopoly

42. One of the differences between oligopoly and monopolistic competition is that _____.

a. a monopolistically competitive industry has fewer firms
b. monopolistic competition has barriers to entry
c. in monopolistic competition, the products are identical
d. fewer firms compete in oligopoly than in monopolistic competition

Continued...

Question 43 to 46 referred to Figure 1

Yusof Apparels Sdn. Bhd. is a manufacturing firm that operating in monopolistic competition market. Figure 1 represents the demand, marginal revenue, marginal cost and average total cost curves of the firm.

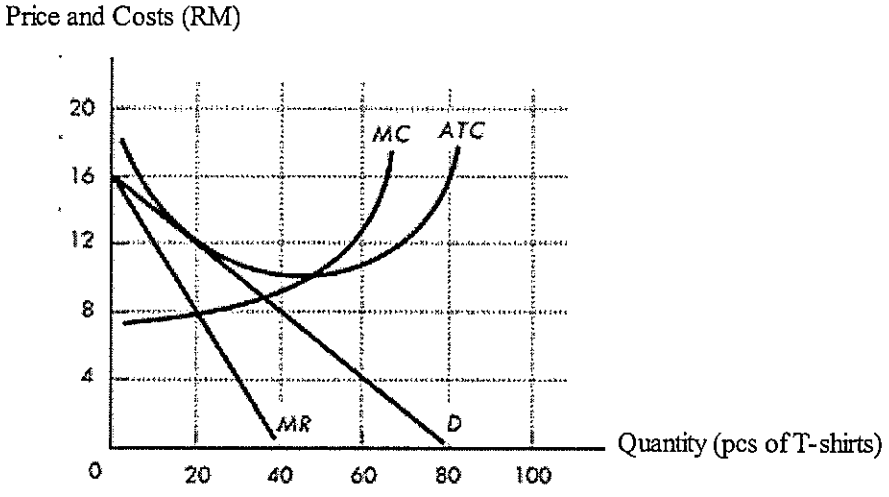

Figure 1

43. What is the profit maximising level of output?

a. 80 pcs of T-shirt
b. 60 pcs of T-shirt
c. 40 pcs of T-shirt
d. 20 pcs of T-shirt

44. What price will Yusof Apparels Sdn. Bhd. charge in order to maximise its profit?

a. RM4 per pcs
b. RM8 per pcs
c. RM12 per pcs
d. RM16 per pcs

45. Yusof Apparels Sdn. Bhd. is making a(n) _____ of _____.

a. economic loss; RM240
b. economic profit; RM240
c. normal profit; RM0
d. Economic profit; RM160

46. How much will be the possible minimum average total cost for Yusof Apparels Sdn. Bhd?

a. RM15
b. RM10
c. RM8
d. RM4

Continued...

Question 47 to 48 referred to Figure 2

Figure 2 shows the demand and average total cost curve of a cigarettes firm in oligopoly market.

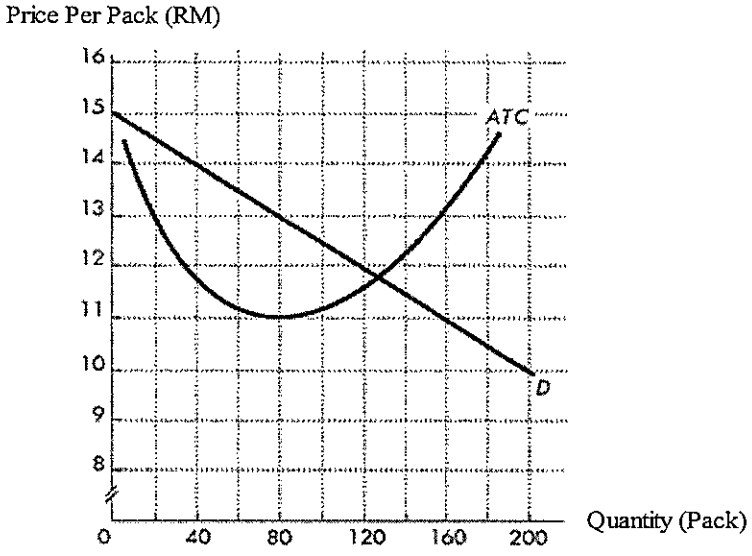

Figure 2

47. How much would be the lowest possible price of a pack of cigarettes that the firm will sell?

a. RM10 per pack
b. RM11 per pack
c. RM9 per pack
d. RM12 per pack

48. At what level of output should the firm produces to achieve efficient of scale?

a. 60 packs
b. 80 packs
c. 100 packs
d. 130 packs

49. _____ is a(n) _____ activity in which a group of firms acting together to limit output, raise price, and increase profit.

a. Cartel; legal
b. Cartel; illegal
c. Game theory; legal
d. Game theory; illegal

50. Which of the following industry in Malaysia falls under oligopoly market structure?

a. Foods and beverages
b. Education
c. Manufacturing
d. Telecommunication

Continued...

SECTION B: STRUCTURED QUESTIONS [50 Marks]
Answer ALL questions. Answers should be written on the answer booklet provided.

QUESTION 1

a) Please state if the following statement is a "positive statement" or "normative statement".

i. The first priorities of the new government in Country A should be to rebuild highways and to provide better health care services. (0.5 mark)

ii. The price of petrol in Malaysia has been risen in the past 5 years. (0.5 mark)

iii. The personal income tax rate in the country should be reduced by 2% because it is too high. (0.5 mark)

iv. Inflation rate, unemployment rate are the examples of macroeconomics study. (0.5 mark)

v. If the price of a good increase, people will demand lesser of the good. (0.5 mark)

vi. We make choices due to the scarcity that we are facing. (0.5 mark)

b) Draw a production possibilities frontier for country X that is producing cars and books. NOTE: Plot cars at horizontal axis. (3 marks)

c) In your answer for b), indicates points that shows: -

i. Efficient (1 mark)
ii. Inefficient (1 mark)
iii. Attainable (1 mark)
iv. Unattainable (1 mark)

(Total: 10 marks)

Continued...

QUESTION 2

Table 2 shows the demand and supply schedules for coffee in Melaka. Answer the following questions.

Price (RM per pack)	Quantity demanded	Quantity supplied
10.00	200	110
12.50	175	130
15.00	150	150
17.50	125	170
20.00	100	190

Table 2

a) Based on Table 2,
   i. Plot demand and supply curve in a same diagram. (4 marks)
   ii. In your answer for i), indicates equilibrium price and equilibrium quantity. (2 marks)

b) Describe the situation in the coffee market if the price were RM10.00 per box. Explain your answer. (2 marks)

c) Describe the situation in the coffee market if the price were RM17.50 per box. Explain your answer. (2 marks)

d) List **FIVE (5)** possible factors that can cause an increase in demand for coffee in the market. (5 marks)

e) List **FIVE (5)** possible factors that can cause a decrease in supply for coffee in the market. (5 marks)

(Total: 20 marks)

Continued...

QUESTION 3

Daily Farm produces and sells milk. The market for milk is perfectly competitive, and the market price for milk is RM10.00 per bottle. The output and the total costs is shown in Table 3.

Quantity (output per hour)	RM				
	Total Cost (TC)	Total Revenue (TR)	Profit / Loss	Marginal Cost (MC)	Marginal Revenue (MR)
0	5	-	-5	-	-
2	11				
4	14				
6	24				
8	44				
9	55				
10	68				

Table 3

a) Copy Table 3 in your answer booklet, fill up the value for profit/loss, marginal cost and marginal revenue at each output level. (12 marks)

b) Determining the profit maximising level of output using the marginal method. (2 marks)

c) Draw a diagram to show a perfectly competitive firm facing economic loss. (6 marks)

(Total: 20 marks)

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